

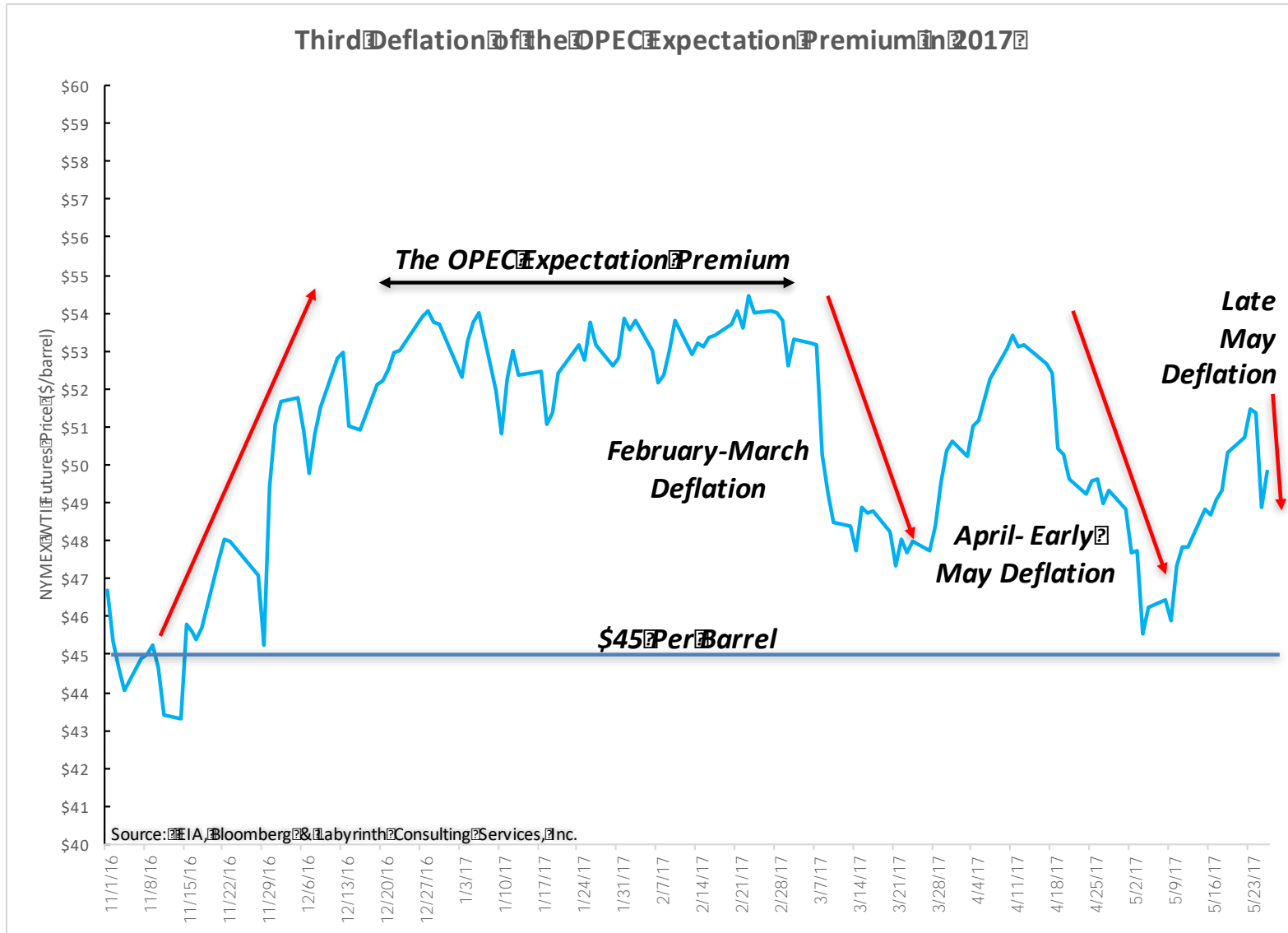


MacroVoices Slide Deck

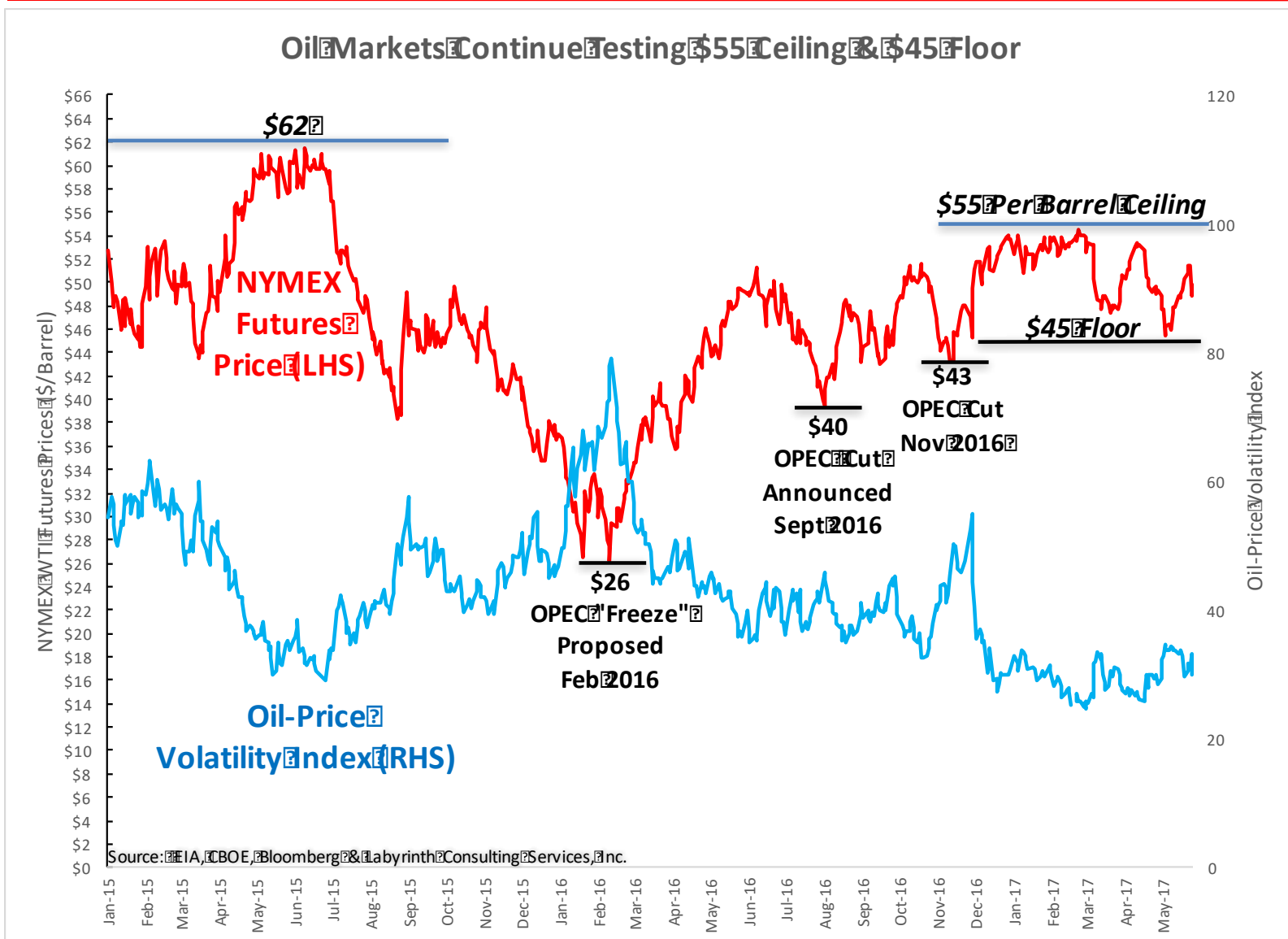
**Art Berman
Labyrinth Consulting Services, Inc.**

May 31, 2017

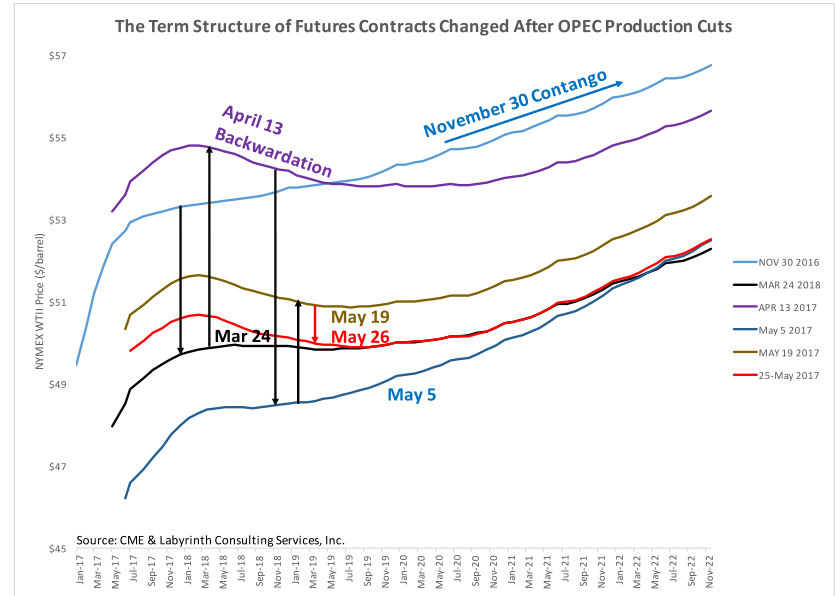
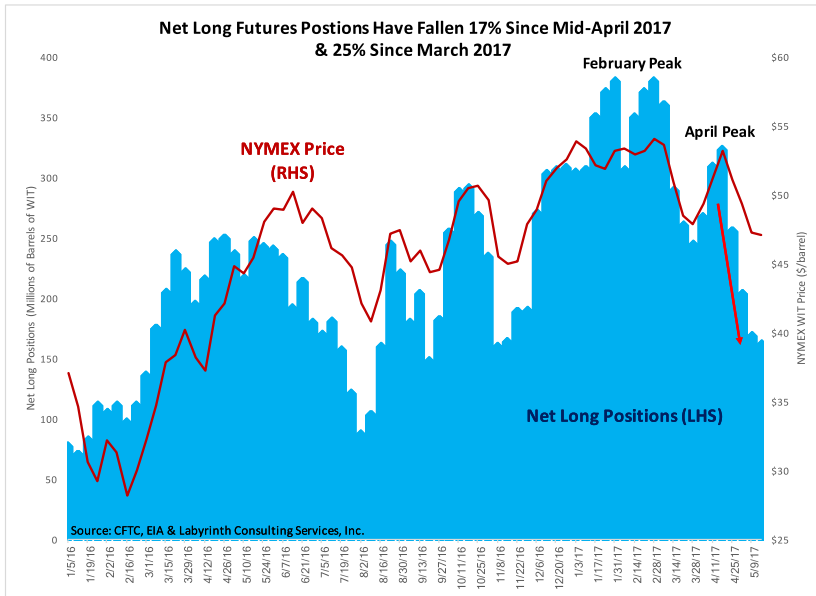
OPEC Extended Production Cuts: Why Prices Fell



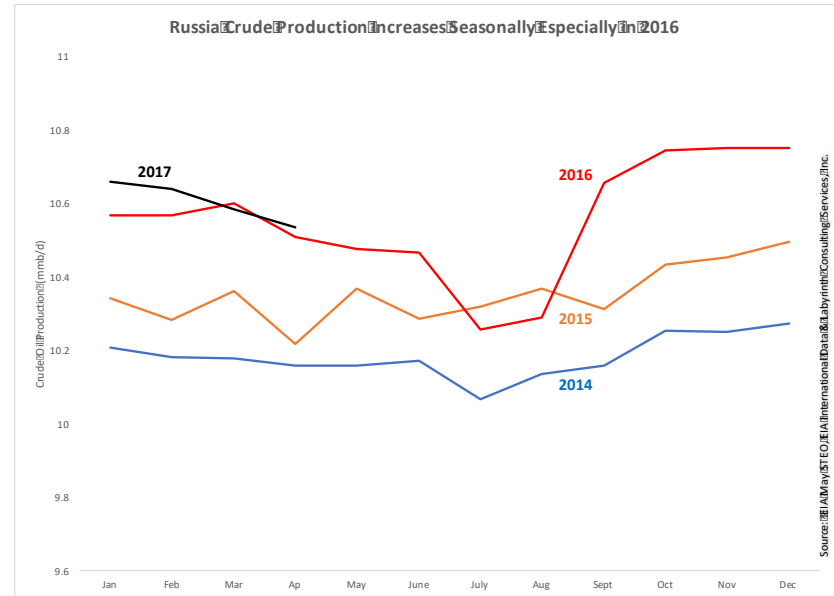
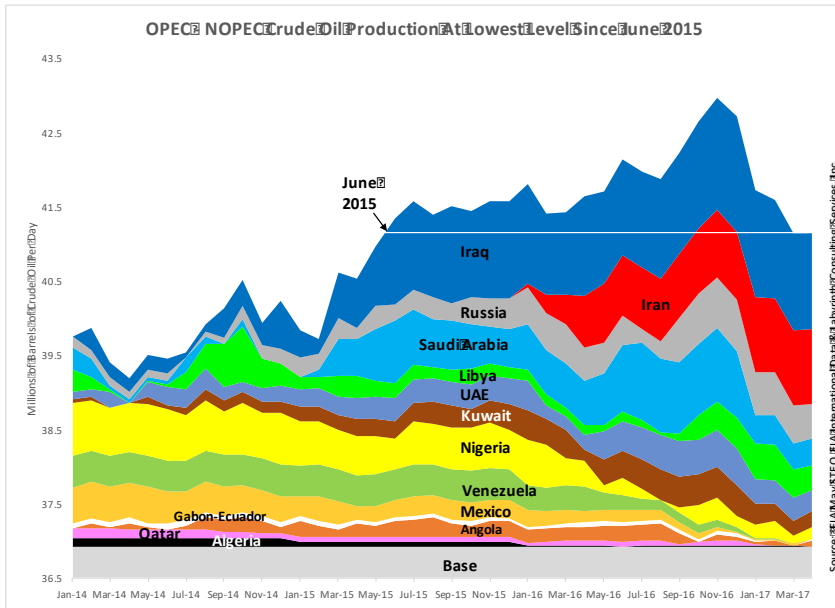
OPEC's Goal: Keep a Floor Under Oil Prices Without Helping Competition Too Much



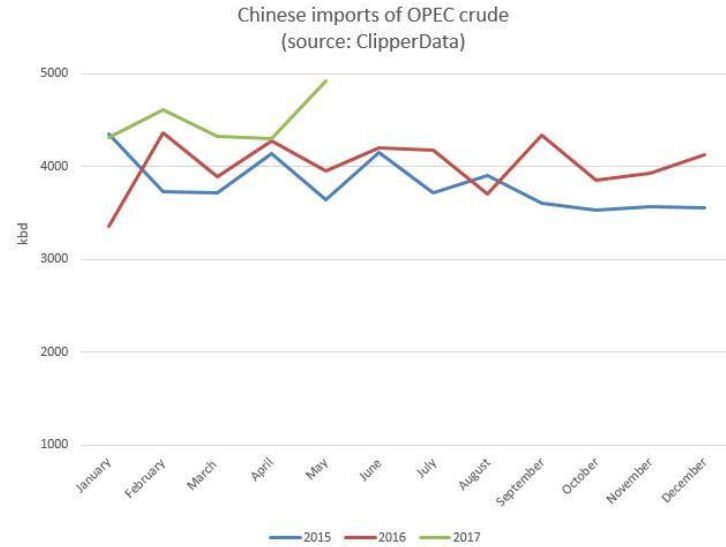
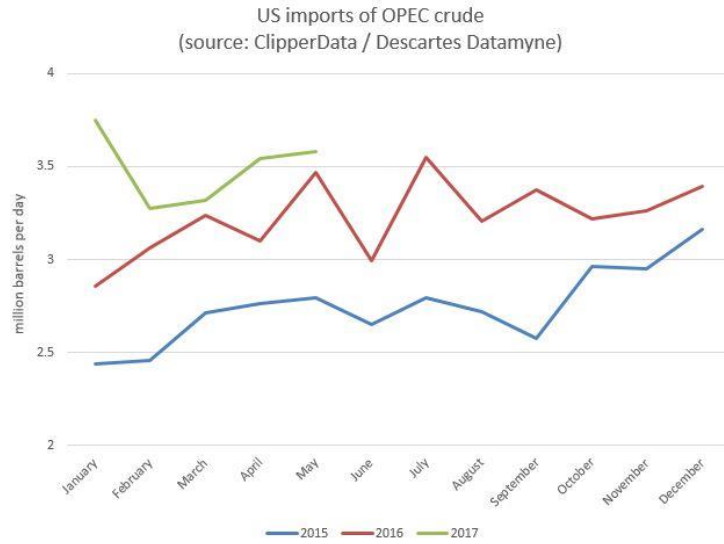
Oil traders Began Unwinding Long Positions in February



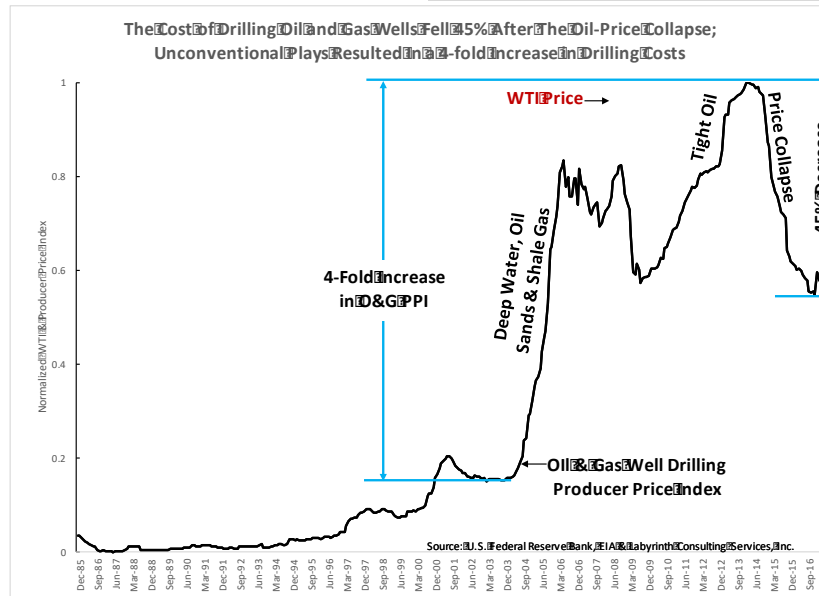
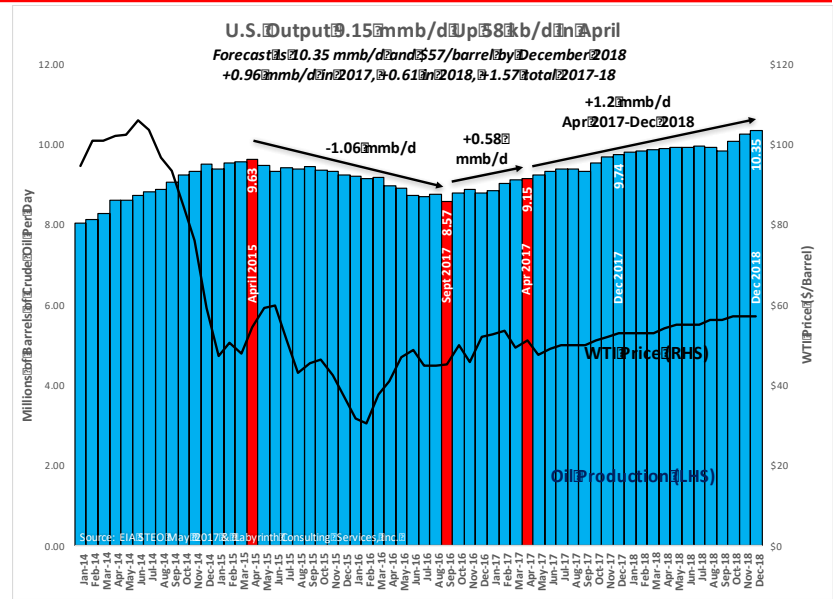
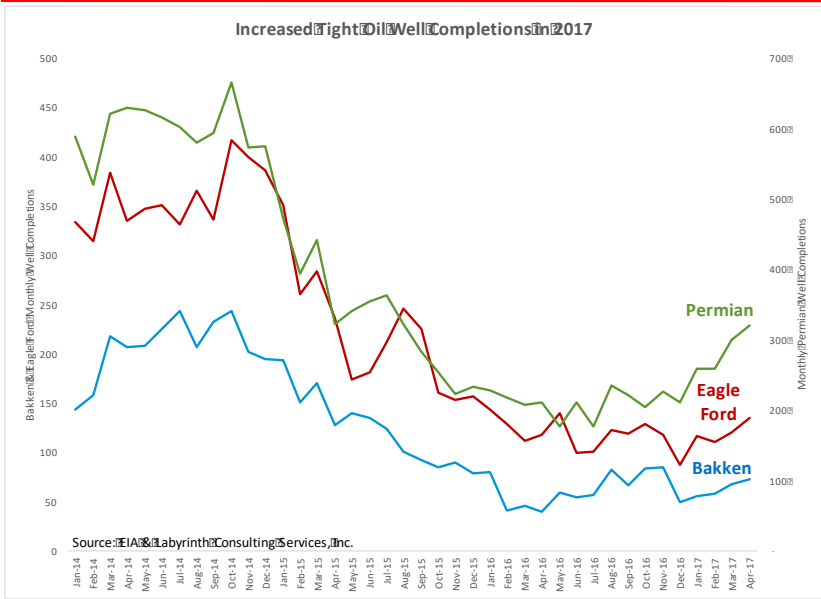
Reasons for Lower Oil Prices



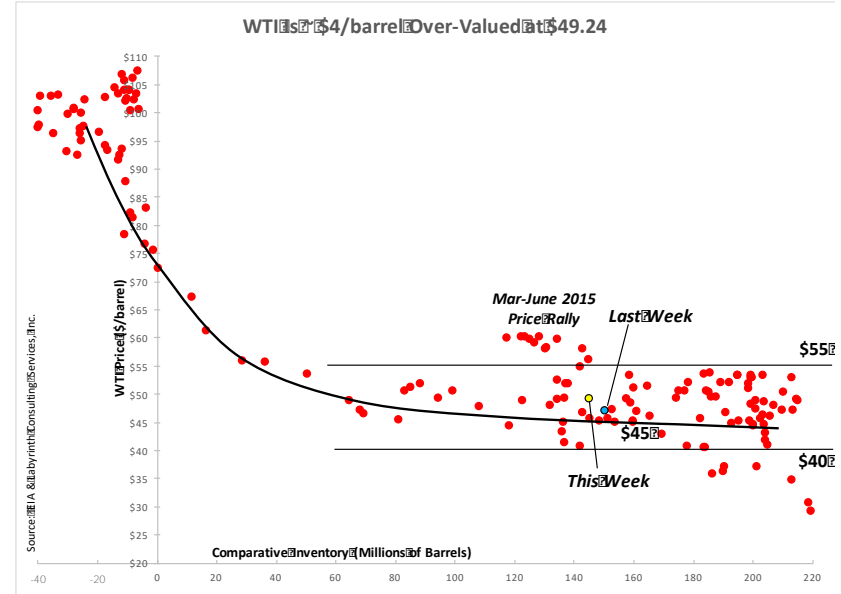
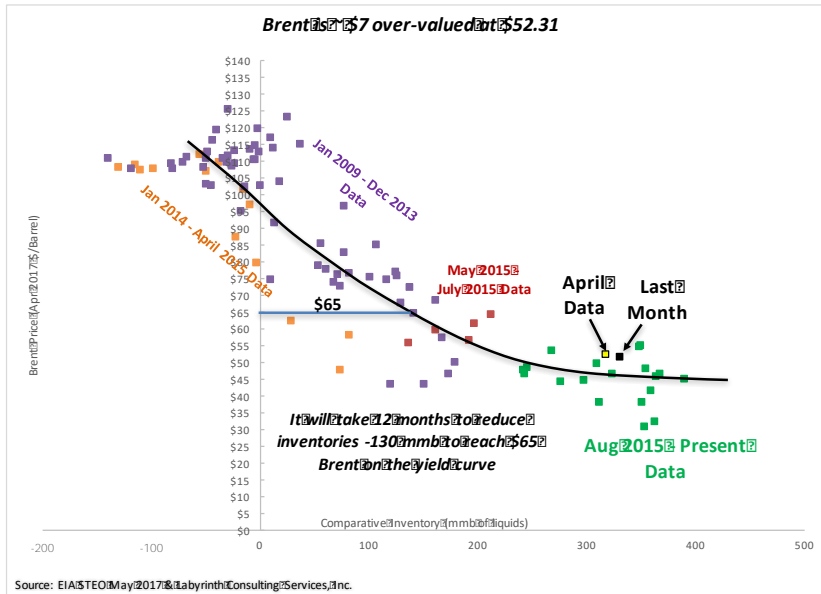
Reasons for Lower Oil Prices



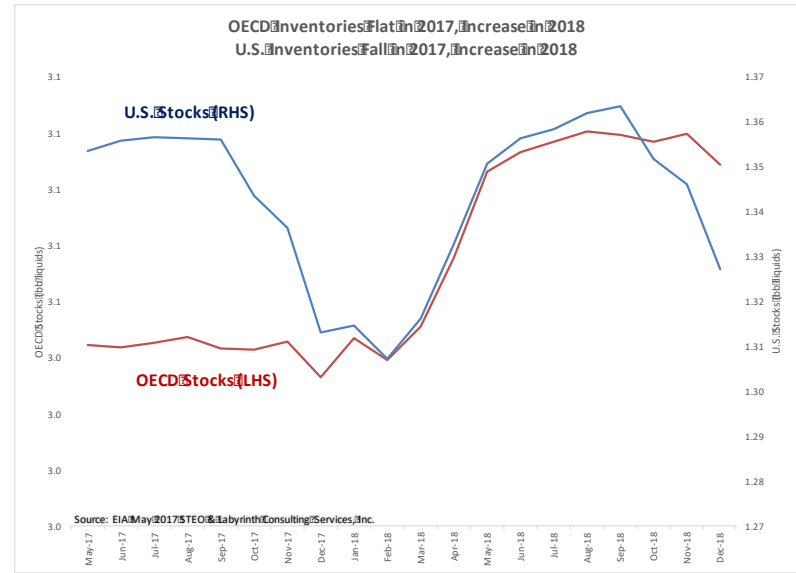
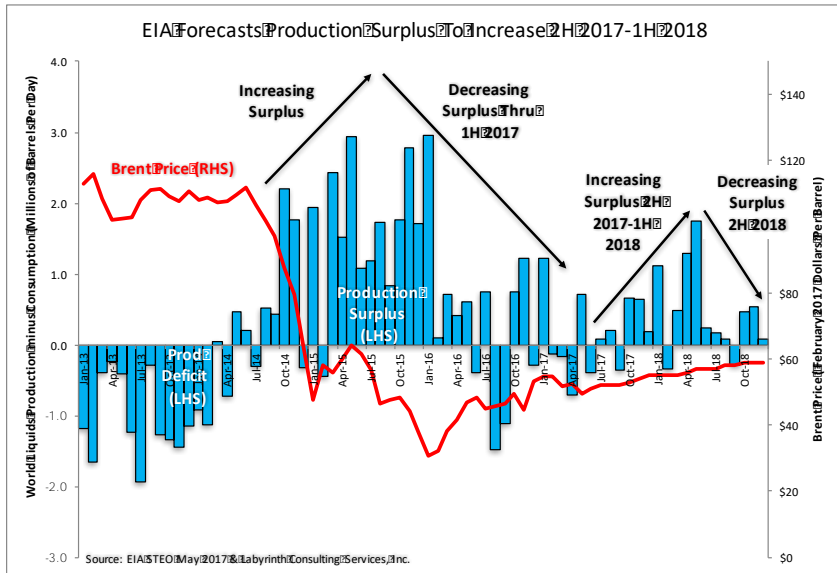
U.S. Production Concerns Are Real



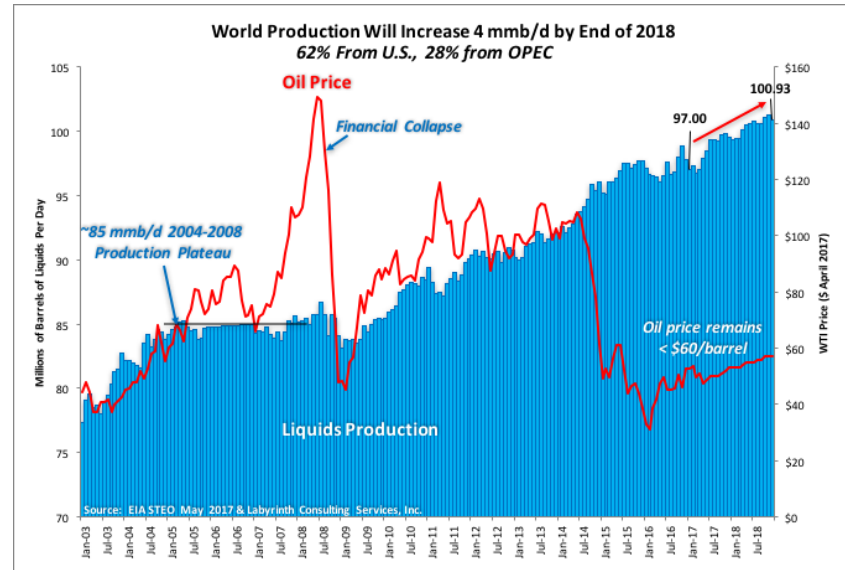
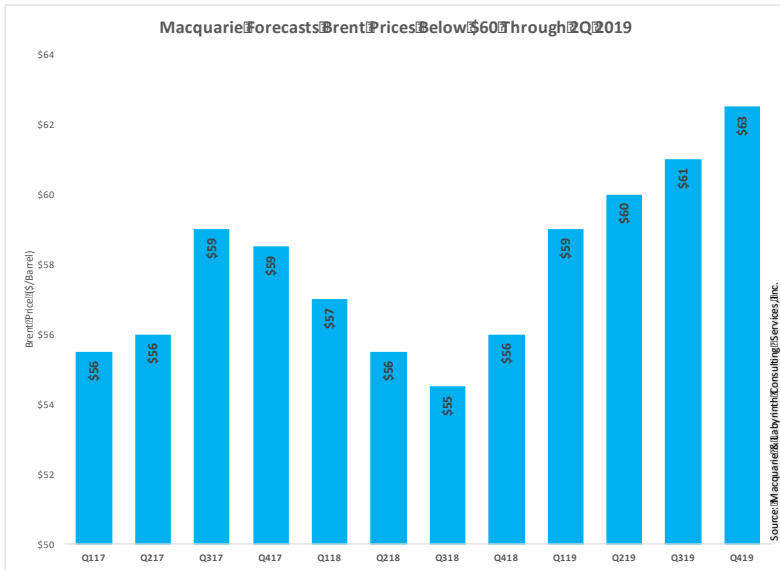
Comparative Inventory Indicates \$45/Barrel Price for Brent and WTI



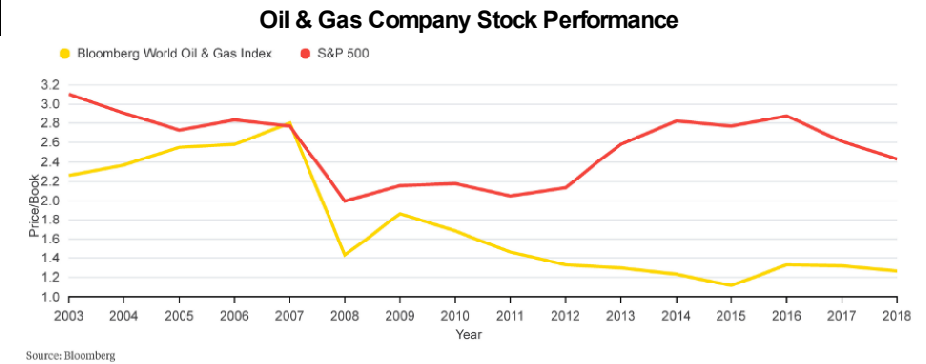
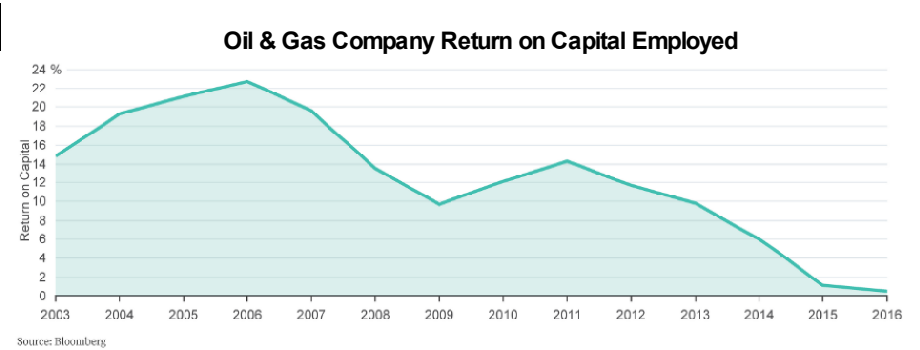
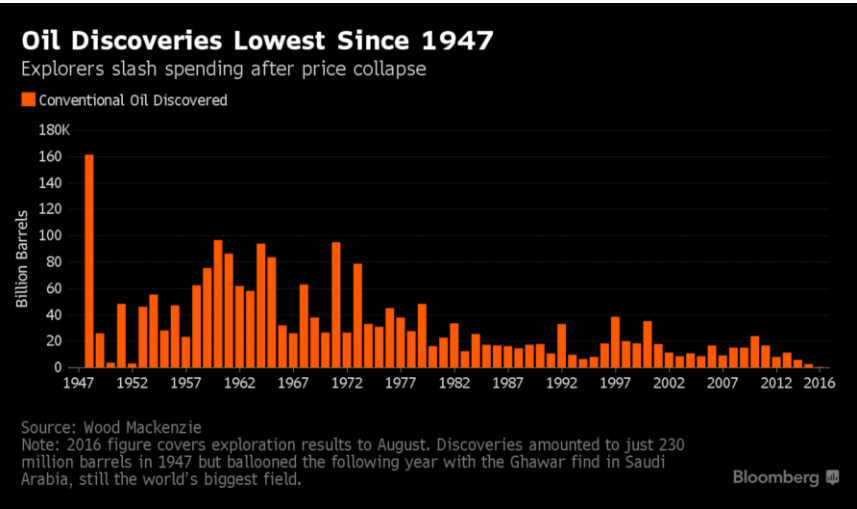
Inventory Data and Forecasts Suggest Increasing Stocks in 2018 for OECD



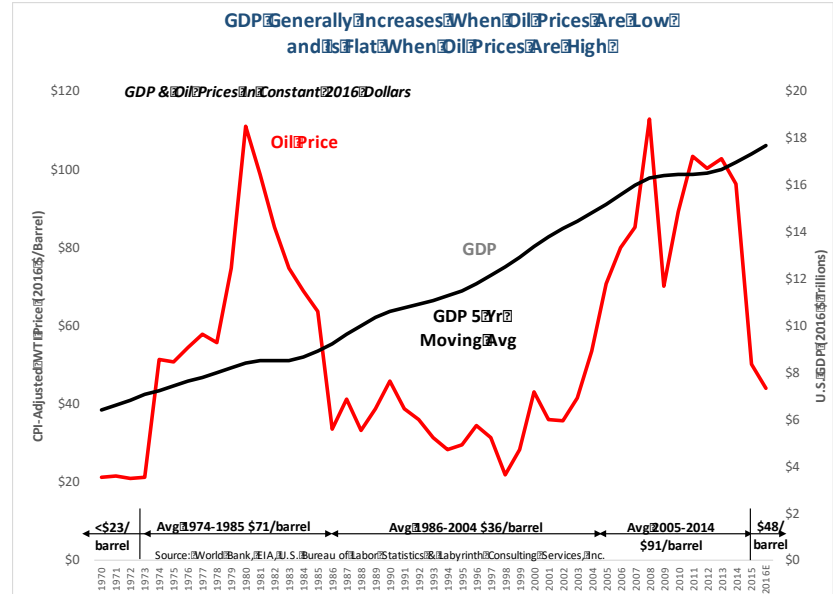
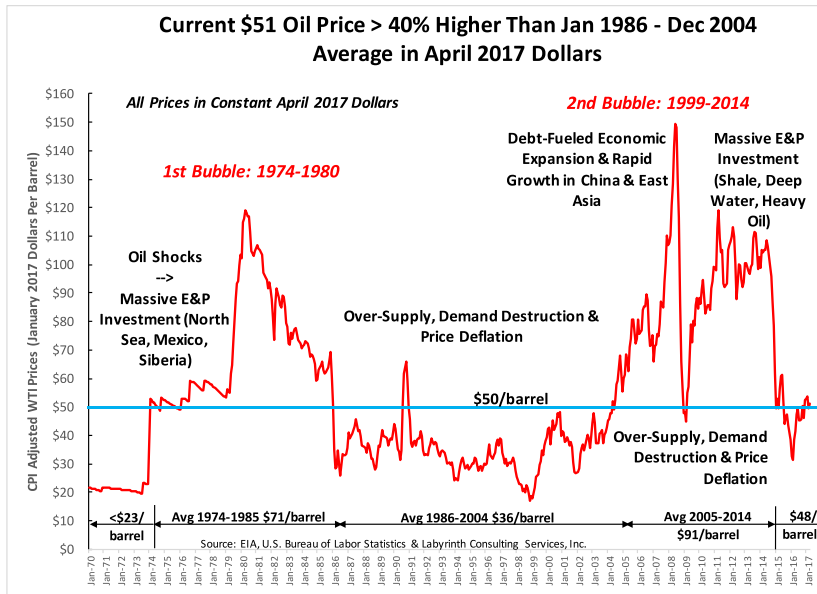
Capital Markets & Central Bank Policies Will Keep Production Strong & Prices Low



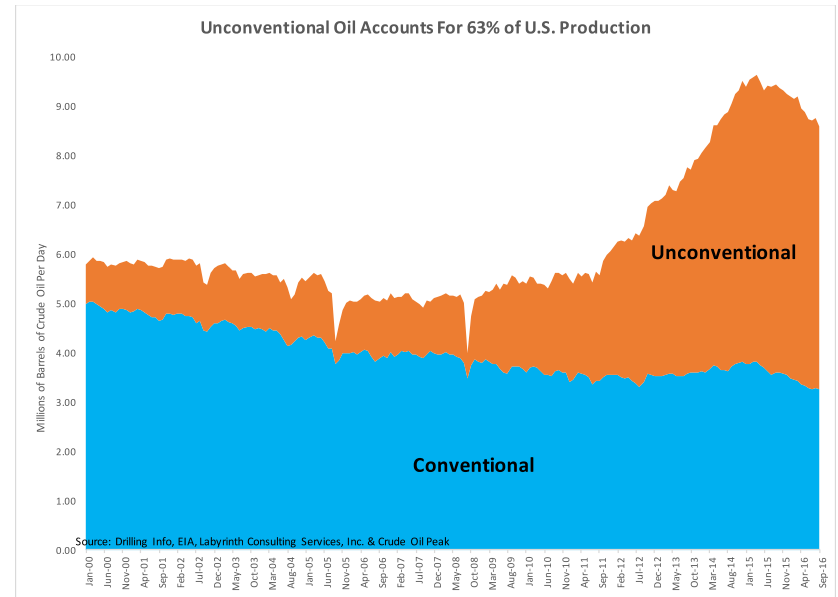
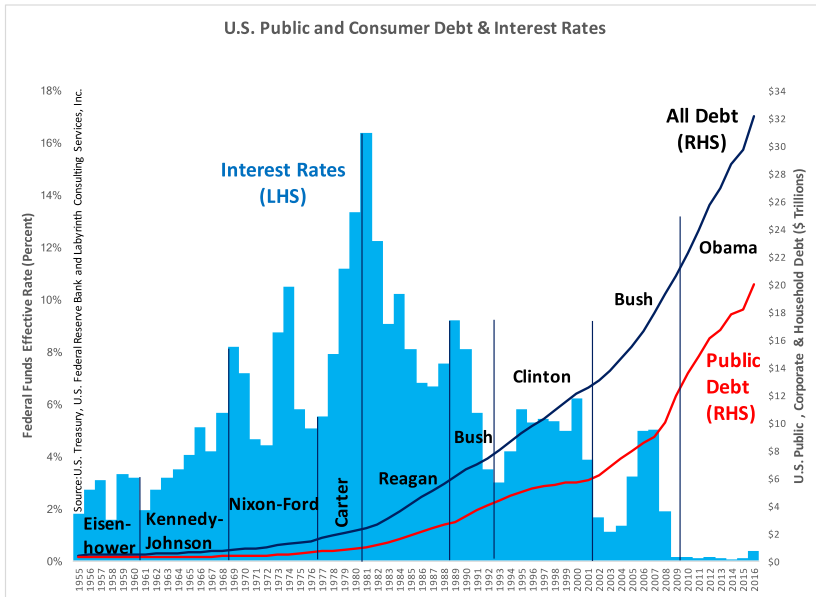
Major Price Spike Sometime in the Next 5 Years



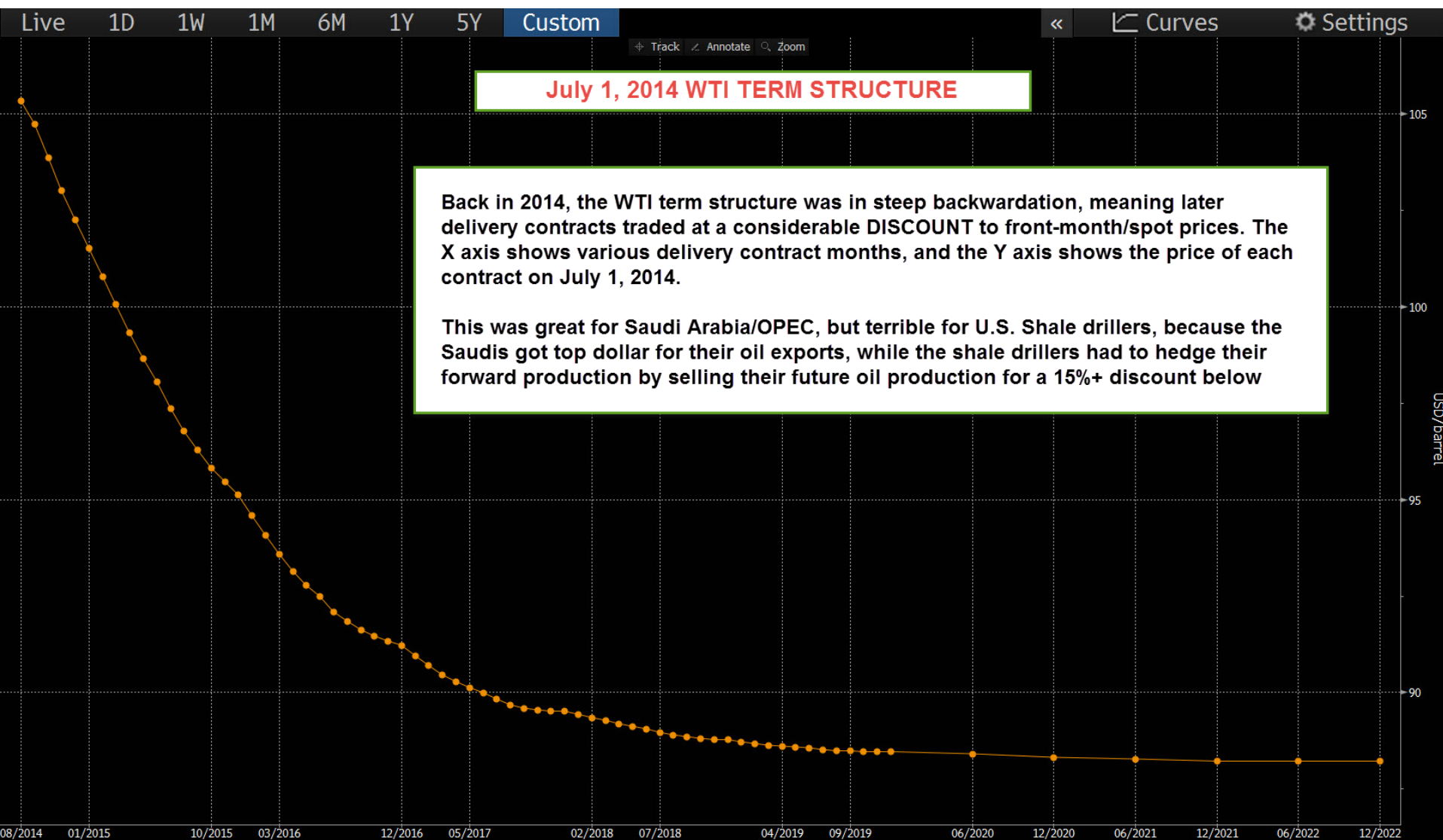
Oil Markets in Early Recovery From Oil Price Collapse: Energy = Economy



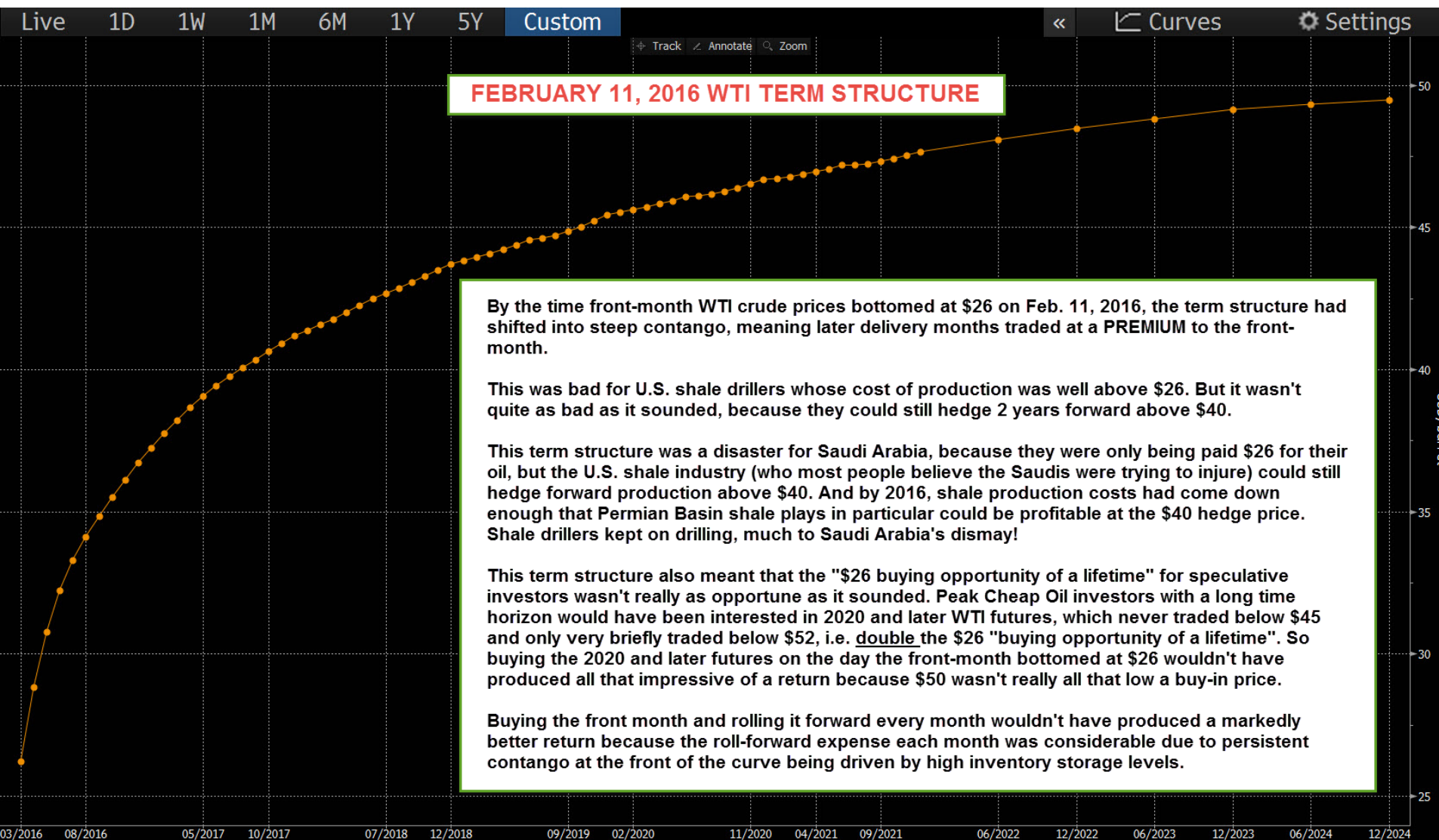
U.S. Debt and Tight Oil



July 1, 2014 WTI Term Structure



February 11, 2016 WTI Term Structure



May 24, 2017 WTI Term Structure

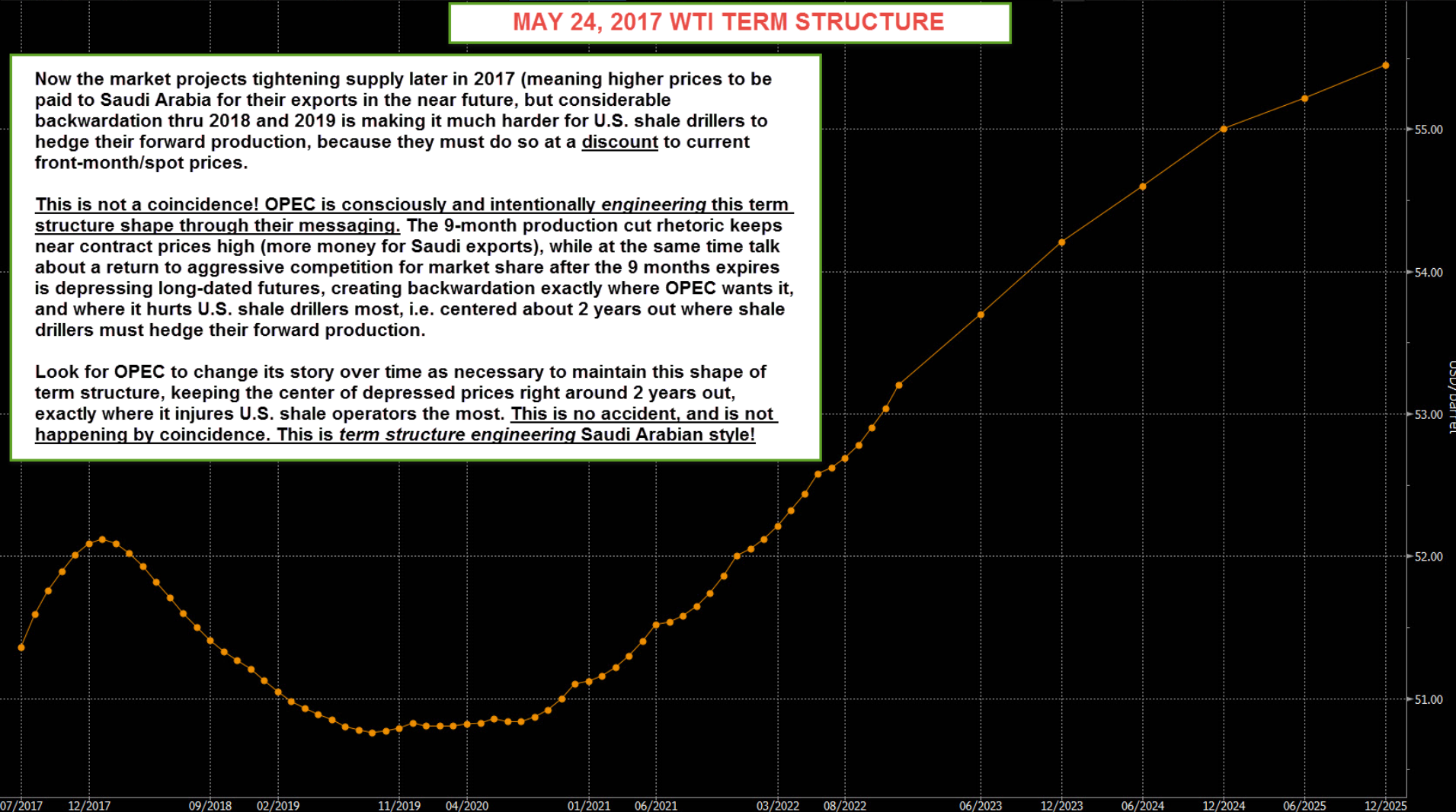
Live 1D 1W 1M 6M 1Y 5Y Custom << Curves Settings

MAY 24, 2017 WTI TERM STRUCTURE

Now the market projects tightening supply later in 2017 (meaning higher prices to be paid to Saudi Arabia for their exports in the near future, but considerable backwardation thru 2018 and 2019 is making it much harder for U.S. shale drillers to hedge their forward production, because they must do so at a discount to current front-month/spot prices.

This is not a coincidence! OPEC is consciously and intentionally engineering this term structure shape through their messaging. The 9-month production cut rhetoric keeps near contract prices high (more money for Saudi exports), while at the same time talk about a return to aggressive competition for market share after the 9 months expires is depressing long-dated futures, creating backwardation exactly where OPEC wants it, and where it hurts U.S. shale drillers most, i.e. centered about 2 years out where shale drillers must hedge their forward production.

Look for OPEC to change its story over time as necessary to maintain this shape of term structure, keeping the center of depressed prices right around 2 years out, exactly where it injures U.S. shale operators the most. This is no accident, and is not happening by coincidence. This is term structure engineering Saudi Arabian style!



December 2020 Delivery Contract

